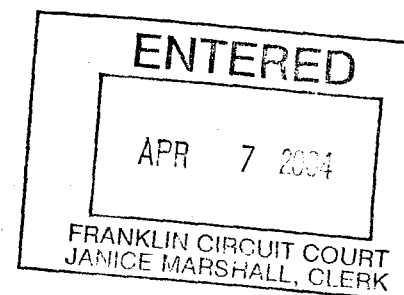


COMMONWEALTH OF KENTUCKY
FRANKLIN CIRCUIT COURT
DIVISION I
CIVIL ACTION NO. 04-CI-00108



COMMONWEALTH OF KENTUCKY, ex rel.
The Commissioner of the Department of Financial Institutions
of the Commonwealth of Kentucky

PLAINTIFF

V.

Rockwell Resources, LLC
101 Indian Springs Trail, Suite A
Lancaster, Kentucky 40444

and

Brad Kirk Turner (President and Owner)
Individually
106 Danville Street, Suite 711
Lancaster, Kentucky 40444

and

Rob Freedman
Don Wagoner
Steve Brasfield
Darrell Hall
Richard Humes
John Fulchner
each individually

c/o Rockwell Resources, LLC
106 Danville Street, Suite 711
Lancaster, Kentucky 40444

DEFENDANTS

AGREED ORDER OF PERMANENT INJUNCTION

WHEREAS, the Commissioner of the Department, "Commissioner," has caused an investigation to be made by the staff of the Department to determine whether the Defendants, are about to violate or have violated the Securities Act of Kentucky, "Act," or "KRS Chapter 292," and

WHEREAS, said investigation has begun and has progressed to the point where certain facts are apparent and allegations can be made as to whether violations of the Act may be about to occur or may have occurred, and

WHEREAS, upon information and belief, pursuant to the above-referenced investigation, the Commissioner alleges that the following facts exist:

ALLEGATIONS OF THE DEPARTMENT

- a.) Rockwell Resources, LLC, is a Kentucky Limited Liability Company. It is an issuer of oil and gas partnerships and was formed in August 2002. It began conducting business in September 2002.
- b.) Rockwell Resources, LLC is 100% owned by Brad "Kirk" Turner. Mr. Turner is a "control person" as that term is used in the securities laws.
- c.) There are two current issuer agents registered with the Division, namely, Matt Nelson and owner, Brad Kirk Turner.
- d.) Rockwell Resources, LLC employs six (6) unregistered sales agents, namely, Rob Freedman, Don Wagoner, Steve Brasfield, Darrell Hall, Richard Humes, and John Fulchner.
- e.) Two members of the staff of the Division ("Staff Members") conducted an unannounced examination on October 29, 2003, at the home office of Rockwell Resources, LLC, then (and now) located at 106 Danville Street, Suite 711, Lancaster, Kentucky 40444.
- f.) Observations by the Staff Members made on the premises revealed that Rockwell Resources had then sold three offerings since inception, and has one current offering. As of the examination date, there had been no registration or notice filings with the Division for the offerings.
- g.) When questioned by the Staff Members, representatives of Rockwell Resources claimed that they are/were relying on an SEC exemption. However, they could not provide any documentation for the exemption when Staff Members requested such documentation.
- h.) Staff Members of the Division observed that in addition to the two registered issuer agents noted above, Rockwell Resources currently employs six (6) unregistered sales agents. Said agents received compensation from Rockwell Resources, LLC.

- i.) According to records examined, there have been eleven (11) terminated unregistered sales agents since the firm's inception. Staff Members' observations at the examination indicated that these unregistered sales agents conduct cold calls from purchased leads.
- j.) Staff Members observed that Rockwell Resources, LLC does not have a Private Placement Memorandum, offering circular, prospectus, or any other documentation to provide required disclosures concerning the securities offered by or through Rockwell Resources, LLC.
- k.) Staff Members observed that Rockwell Resources, LLC does not obtain or verify any type of suitability information. When questioned on this matter by Staff Members, Kirk Turner stated that the purchased leads are pre-qualified as being accredited. Mr. Turner stated that he does not obtain suitability information or verify that the potential investors are accredited.
- l.) An accredited investor verification form is included with the Subscription Agreement. The accredited form details the definition of accredited and investors are required to sign it indicating that they are in fact accredited. Several Subscription Agreements that were reviewed contained no signed accredited investor verification form.
- m.) Rockwell Resources, LLC offered and sold investments in Horace Groce #1, #2, Clinton County, Kentucky. Its status is currently closed. It has 21 investors. Rockwell Resources, LLC offered and sold investments in Spring Creek West #1A and #2A, Clinton County, Kentucky. Its status is currently closed. It has 30 investors. Rockwell Resources, LLC offered and sold investments in Kelly Paul #1, #2, Overton County, Tennessee. Its current status is closed. It has 30 investors. Rockwell Resources, LLC offered and sold investments in 03-C, Overton County, Tennessee. It is a current offering. It had 6 investors at the time Staff Members filed their report.
- n.) Rockwell Resources, LLC offered and sold investments in violation of KRS 292.340 (unregistered securities). They were sold in Kentucky and from Kentucky to other states.
- o.) The Department and the Commonwealth of Kentucky have jurisdiction.
- p.) Each unit in an oil or gas drilling program is a security as that term is defined in KRS 292.310(18).
- q.) The securities (units in an oil or gas drilling program) offered and sold by Rockwell Resources, LLC were not exempt from registration because no filings were made with the Division to claim an exemption from

registration and the sales were made through use of general solicitation by means of "cold calling."

- r.) Rockwell Resources, LLC sales agents, Rob Freedman, Don Wagoner, Steve Brasfield, Darrell Hall, Richard Humes, and John Fulchner, were paid to sell the securities issued by or through Rockwell Resources, LLC but were not registered pursuant to KRS 292.330. As such, Rockwell Resources, LLC is in violation of KRS 292.330 for hiring unregistered agents to sell securities and each agent named above is in violation of KRS 292.330 for selling securities without being registered pursuant to KRS 292.330.
- s.) All Defendants, including Rockwell Resources, LLC, owner/agent, Brad Kirk Turner, agents, Matt Nelson, Rob Freedman, Don Wagoner, Steve Brasfield, Darrell Hall, Richard Humes, and John Fulchner, are in violation of KRS 292.320(1) for failing to use a Private Placement Memorandum, offering circular, or prospectus in connection with each offer and sale of the securities herein. Each sale constitutes at least one violation of KRS 292.320(1) and an additional separate violation of KRS 292.320(1) for each and every material fact not disclosed to the investors for each investment unit. Based on the Division's "Offering Circular Guidelines" this is no less than ten (10) counts of violating KRS 292.320(1) per investment unit sold for each sales person. Rockwell Resources, LLC and Mr. Turner, as issuer and control person, respectively, are liable for all violations of KRS 292.320(1) committed by all agents.
- t.) All Defendants, including Rockwell Resources, LLC, owner/agent, Brad Kirk Turner, agents, Matt Nelson, Rob Freedman, Don Wagoner, Steve Brasfield, Darrell Hall, Richard Humes, and John Fulchner, are in violation of the Division's suitability rules (808 KAR 10:030) for failing to adequately demonstrate through documentation or any other means that each investor was suited to an investment in oil and/or gas offered and sold by Rockwell Resources, LLC.
- u.) The Defendants pose a danger to the investing public.
- v.) Defendants were at all times relevant to these proceedings residents of Kentucky.
- w.) The following facts mitigate the conduct of Defendants. Defendants agreed to pay an administrative penalty (fine) in the amount of One Thousand Five Hundred Dollars (\$1,500.00). Defendants have consented comply with the Securities Laws and Regulations and the Orders of the Department of Financial Institutions of Kentucky in the future, including but not limited to obtaining proper registration or filing claims of

exemption for any securities offered, registering all agents, preparing and using detailed and complete disclosure documents satisfactory under the requirements of KRS 292.320, and to be bound to do so by this Order.

WHEREAS, the allegations herein indicate potential violations of the Securities Act of Kentucky, namely KRS 292.340 (failure to register securities or file a claim of exemption for same) and KRS 292.330 (failure to register as a broker-dealer, broker-dealer agent or issuer agent and/or acting in violation of the scope of the agency) and KRS 292.320(1) (failure to make full, complete, and accurate disclosure in connection with the offer and sale of a security); and

WHEREAS, each sale constitutes a separate violation of each provision (KRS 292.330, 292.340, and 292.320(1)) and each instance of fact that was not disclosed, and each fact that was disclosed but was false or misleading, and each failure to disclose a fact necessary in order to make the facts that were disclosed not misleading, constitutes a separate and distinct violation of KRS 292.320(1); and

WHEREAS, no hearing has been conducted at this time in this matter and no findings of fact or conclusions of law have been made herein, making the Department's examination results strictly allegations at this point; and

WHEREAS, if, after a full hearing Circuit Judge were to find the facts alleged by the complainants to be true and reject any defense or position of the Defendants, the Judge would then likely find that this conduct by the Defendants constitutes the offer and sale of unregistered securities in violation of KRS 292.340 by unregistered persons (broker-dealers, broker-dealer agents, or issuer agents) in violation of KRS 292.330 and that each sale was made in violation of KRS 292.320(1) and that each sale contained at least one count of a violation of KRS 292.320(1); and

WHEREAS, if, after a full hearing pursuant to Circuit Judge were to find the facts alleged by the complainants above to be true and reject the position of the Defendants, the Circuit Judge would then find it to be in the public interest to impose sanctions available under the Act upon the Defendants; and

WHEREAS, pursuant to KRS 292.500(1) and 292.500(3), the Commissioner is charged with the administration of the Act and empowered to make such rules and orders as necessary to carry out the terms of the Act; and

WHEREAS, a settlement has been proposed wherein Defendants would agree to, among other things recited herein, abide by the Act and the orders and regulations issued pursuant thereto in the future; and

WHEREAS, Defendants can, by virtue of accepting the settlement described herein, avoid a hearing, findings of fact and conclusions of law that would stem from such a hearing, and exposure to potentially damaging findings of fact by a Circuit Judge; and,

WHEREAS, the Defendants are desirous of bringing this matter to a conclusion without further expense and delay; but,

WHEREAS, the Defendants do not wish to admit or deny any of the aforementioned factual allegations or conclusions of law; and,

WHEREAS, the Commissioner does not ratify any position of Defendants by accepting this settlement; and

WHEREAS, Upon Motion of Plaintiff, the Department of Financial Institutions, and agreement between Defendants, and this Court being otherwise sufficiently advised,

IT IS HEREBY ORDERED AND ADJUDGED THAT the Defendants are enjoined from directly or indirectly, in connection with the offer, purchase or sale of any securities in the Commonwealth of Kentucky:

- (A) employing any device, scheme or artifice to defraud,
- (B) making any untrue statements of material facts or omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading;
- (C) engaging in any transactions, practices, of courses of business which operate or would operate as a fraud or deceit upon any person; or,
- (D) violating the Securities Act of Kentucky, KRS Chapter 292, and the administrative regulations, 808 Kentucky Administrative Regulations Chapter 10, and orders of the Department of Financial Institutions enacted pursuant thereto.

IT IS FURTHER ORDERED that Defendants are enjoined from, directly or indirectly:

- (A) making any offers or sales of any securities in the Commonwealth of Kentucky unless and until a registration statement has been filed with the Kentucky Department of Financial Institutions as to such securities; or
- (B) *only if applicable, and only if available to Defendants* making any offers or sales of any securities in the Commonwealth of Kentucky, unless and until a properly and timely filed claim of exemption from registration or notice of covered security has been filed with the

Kentucky Department of Financial Institutions as to such securities;
and

- (C) making any offers or sales of any securities through the use or medium of any prospectus or otherwise, unless and until a proper filing is in effect with the Kentucky Department of Financial Institutions as to such securities.

IT IS FURTHER ORDERED that:

- (A) This Agreed Order covers all *securities* as that word is defined in KRS 292.310 (18) and includes, but is not limited to, any kinds of interests in oil and gas wells, whether whole, fractional, divided, or undivided, viatical settlements, time shares and pay telephones with management agreements and promissory notes.
- (B) The Defendants shall know and understand that if they offer or sell securities at any time in the future, they must provide the investor or potential investor with an offering circular or prospectus disclosing all material facts in connection with the investment, including but not limited to salient risk factors and background of the principals connected with the investment.
- (C) The Defendants further shall know and understand that if they offer or sell securities at any time in the future, they must register the securities, file a claim of exemption from registration, or make a notice filing with the Department for the securities, as applicable, or affirmatively verify that such a filing has been made. The Defendants

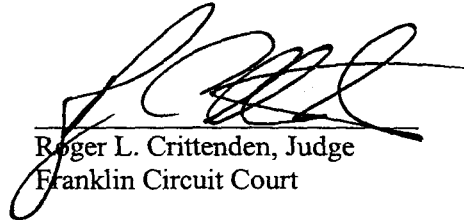
further shall know and understand that any persons who offer or sell the securities on his behalf need to be registered as agents pursuant to KRS 292.330 (registration of broker-dealers, agents, and certain other securities professionals). The Defendants further shall know and understand that if they offer or sell securities at any time in the future, they must be registered as an agent pursuant to KRS 292.330. The Defendants further shall know and understand that they may not offer or sell *any* security whatsoever unless they first obtain and maintain any registration required by KRS 292.330.

(D) Notwithstanding anything to the contrary herein, if Defendants have a question as to whether a filing is required for any particular securities offering, the Defendants shall affirmatively seek a *written* opinion from the Department before offering or selling said security and will affirmatively seek a *written* opinion from the Department in the event that there is any issue as to whether an investment or instrument sought to be offered or sold is a security or whether a proposed activity is barred by this agreement.

(E) If claims are brought against them, the Defendants shall negotiate *in good faith* with investment purchasers mentioned herein to settle claims to the extent repayment is *genuinely* possible.

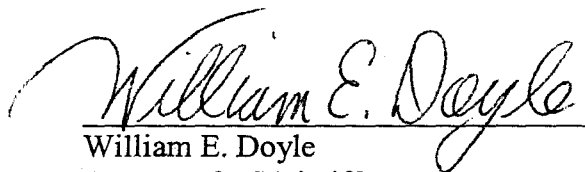
IT IS FURTHER ORDERED that this ORDER shall remain in force unless superceded by another ORDER of this Court in this matter.

IT IS FURTHER ORDERED that Defendants, Rockwell Resources, LLC, and Brad Kirk Turner, shall tender an administrative fine in the amount of ***One Thousand Five Hundred Dollars*** (\$1,500.00) payable to the Kentucky State Treasurer to the Plaintiff no later than Thirty (30) days after the entry date of this Order.

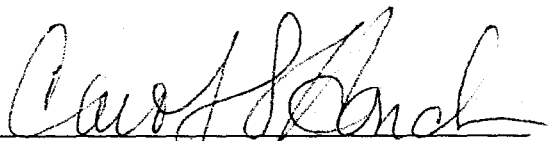


Roger L. Crittenden, Judge
Franklin Circuit Court

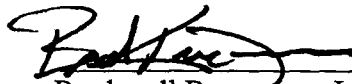
HAVE SEEN AND AGREED TO:



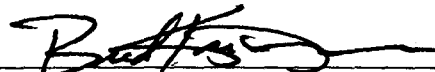
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Rockwell Resources, LLC
by Brad Kirk Turner, Owner
106 Danville Street, Suite 711
Lancaster, Kentucky 40444



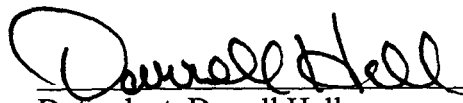
Defendant, Brad Kirk Turner
106 Danville Street, Suite 711
Lancaster, Kentucky 40444

Defendant, Rob Freedman



Defendant, Don Wagoner

Defendant, Steve Brasfield



Defendant, Darrell Hall

Defendant, Richard Humes

Defendant, John Fulchner
106 Danville Street, Suite 711
Lancaster, Kentucky 40444